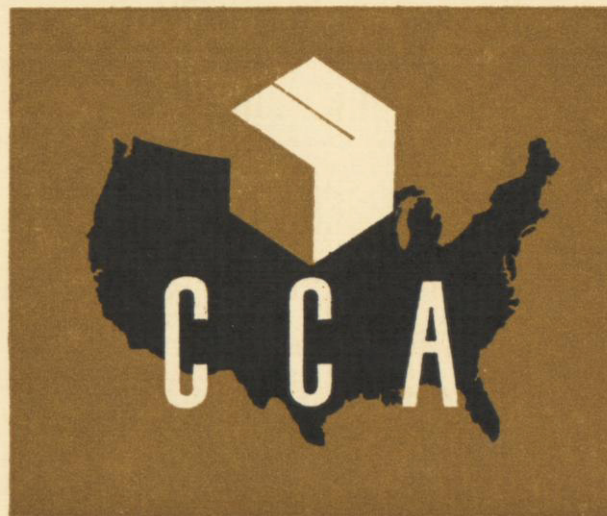


A N N U A L R E P O R T



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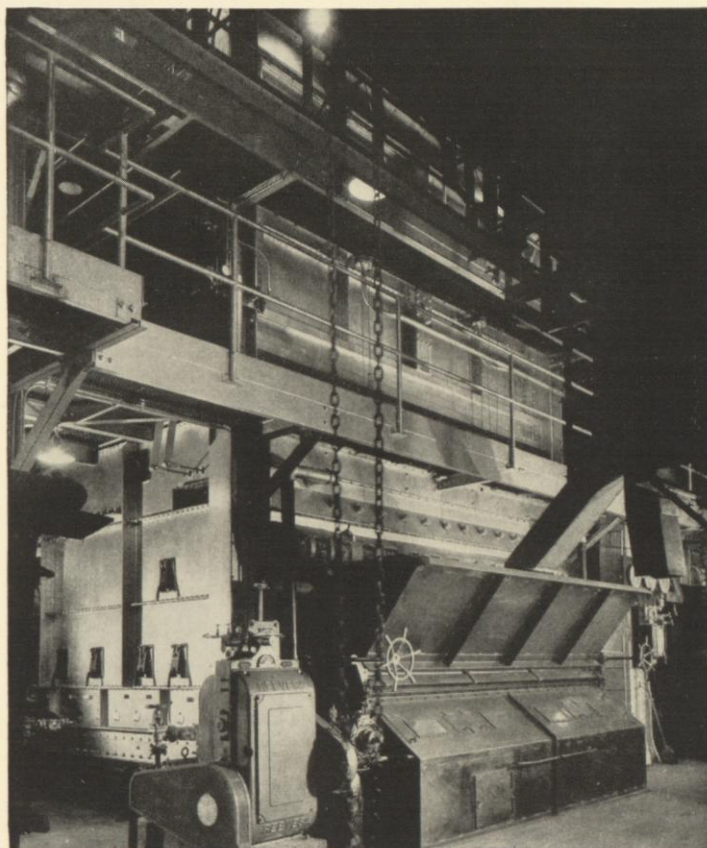
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B O A R D S

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C7671

ANNUAL REPORT



High pressure boiler, Ogden Avenue plant, Chicago; typical of installations in the Company's paper mills.

MARCH 2, 1946

CONTAINER CORPORATION OF AMERICA

MILLS CARTHAGE, INDIANA
CHICAGO, ILLINOIS
CINCINNATI, OHIO
CIRCLEVILLE, OHIO
FERNANDINA, FLORIDA
PHILADELPHIA, PENNSYLVANIA
WABASH, INDIANA
WILMINGTON, DELAWARE

FACTORIES ANDERSON, INDIANA
BALTIMORE, MARYLAND
BOSTON, MASSACHUSETTS
CHICAGO, ILLINOIS
CINCINNATI, OHIO
CLEVELAND, OHIO
FORT WORTH, TEXAS
PHILADELPHIA, PENNSYLVANIA
ROCK ISLAND, ILLINOIS

BRANCH AND SALES OFFICES ANDERSON, INDIANA
BALTIMORE, MARYLAND
BOSTON, MASSACHUSETTS
CHICAGO, ILLINOIS
CINCINNATI, OHIO
CLEVELAND, OHIO
DALLAS, TEXAS
DETROIT, MICHIGAN
FORT WORTH, TEXAS
GREENSBORO, NORTH CAROLINA
INDIANAPOLIS, INDIANA
KALAMAZOO, MICHIGAN
MASON CITY, IOWA
MINNEAPOLIS, MINNESOTA
NEW YORK, NEW YORK
PHILADELPHIA, PENNSYLVANIA
ROCHESTER, NEW YORK
ROCK ISLAND, ILLINOIS
ST. LOUIS, MISSOURI
WABASH, INDIANA

ACTIVE SUBSIDIARIES PIONEER PAPER STOCK COMPANY
BALTIMORE, CHICAGO, DETROIT,
KALAMAZOO, PHILADELPHIA
CARTON INTERNACIONAL, S.A., PANAMA
CARTON DE COLOMBIA S.A. (50% ownership)
CARTOENVASES DE MEXICO, S.A.
(50% ownership)

AFFILIATED COMPANY SEFTON FIBRE CAN COMPANY, ST. LOUIS, MO.
and NEW ORLEANS, LA.

111 WEST WASHINGTON STREET, CHICAGO

DIRECTORS WILLIAM R. BASSET, New York, New York
JOHN E. BIERWIRTH, New York, New York
HENRY B. CLARK, San Diego, California
WESLEY M. DIXON, Chicago, Illinois
JOHN L. DOLE, Chicago, Illinois
WILLIAM P. JEFFERY, New York, New York
IRA C. KELLER, Philadelphia, Pennsylvania
WALTER P. PAEPCKE, Chicago, Illinois
J. V. SPACHNER, Chicago, Illinois

EXECUTIVE COMMITTEE WILLIAM R. BASSET
JOHN E. BIERWIRTH
WILLIAM P. JEFFERY
WALTER P. PAEPCKE

OFFICERS President, WALTER P. PAEPCKE
Vice President, J. A. CUNNINGHAM
Vice President, WESLEY M. DIXON
Vice President, IRA C. KELLER
Vice President, J. V. SPACHNER
Vice President, E. A. THROCKMORTON
Secretary and Treasurer, E. A. WAGONSELLER
Controller, C. M. BLUMENSCHN
Assistant Treasurer, CHRIST MADSEN
Assistant Secretary, H. J. GREVEN
Assistant Secretary, C. H. SEELEY
Assistant Controller, EDWARD J. STOUT

TRANSFER AGENTS CONTAINER CORPORATION OF AMERICA,
Chicago, Illinois
CITY BANK FARMERS TRUST COMPANY,
New York, New York

REGISTRARS CONTINENTAL ILLINOIS NATIONAL BANK AND
TRUST COMPANY, Chicago, Illinois
THE NEW YORK TRUST COMPANY,
New York, New York



IN MEMORIAM

1945

PHARIS BUTLER
ALBERT CLARK
GABRIEL CONNOLLY
THOMAS CULBERHOUSE
WENDELL A. DOWELL
EDWARD JOHN DUL
JOHN B. ELTZROTH
EARNEST FOOKES
SILVIO FORMOSA, JR.
MICHAEL J. FUERST
ABE GELDMAN
CHARLES GHERE
LEONARD F. HINDSLEY
FRANK B. KOSHAR
JOHN CALVIN KREAMER II
GUS LAICHAS
RICHARD D. LANE
JOSEPH ROY LEWIS
HOWARD MANTON
CARL MAZUR

• WILLIAM P. MCANANY
ROBERT L. OVERHOLSER
ALAN G. OVERTON
JOSEPH ANTHONY PLAZA
FRANK RAUSCHER
RUSSELL C. ROBINSON
NORMAN E. SCHNEIDER
GEORGE SCHOLL
CHARLES A. SCHROEDER
PAUL SCOTT
DALE SMITH
RAYMOND SMOLINSKI
EDWARD STONE
DAVID R. STRAESSER
KARL THIEROFF
HERBERT T. URSCHEL
RAYMOND WEBER
ANTHONY WISNIEWSKI
CHARLES WLOCH
SIGMUND YURICK

CONTAINER CORPORATION OF AMERICA

CHICAGO, ILLINOIS, MARCH 2, 1946

TO THE SHAREHOLDERS AND EMPLOYEES OF CONTAINER CORPORATION OF AMERICA

The Annual Report of Container Corporation of America for the year ended December 31, 1945, including the Auditors' Certificate, a Consolidated Balance Sheet, and Summaries of Consolidated Profit and Loss and Surplus Accounts is herewith submitted. In accordance with existing proxy regulations of the Securities and Exchange Commission advice is given herewith that proxies for the annual meeting of stockholders will be requested shortly. The proxy statement will be mailed to shareholders about March 6, 1946.

FINANCIAL REVIEW

EARNINGS. Consolidated net earnings for 1945 were \$2,026,103 as compared with \$2,063,199 for 1944. In each case these represent the net figure after all charges, including provision for depreciation, local, state and Federal taxes, excess profits taxes, and a special reserve for postwar contingencies. The net profit for the year 1945 amounted to \$2.59 a share compared with \$2.64 for the year 1944 on each of the 781,253 outstanding shares of capital stock. Quarterly earnings per share follow:

1st Quarter.....	\$.67
2nd Quarter.....	.61
3rd Quarter.....	.51
4th Quarter.....	.80*
	<hr/>
	\$2.59

*After adding year end adjustments representing \$.43 per share.

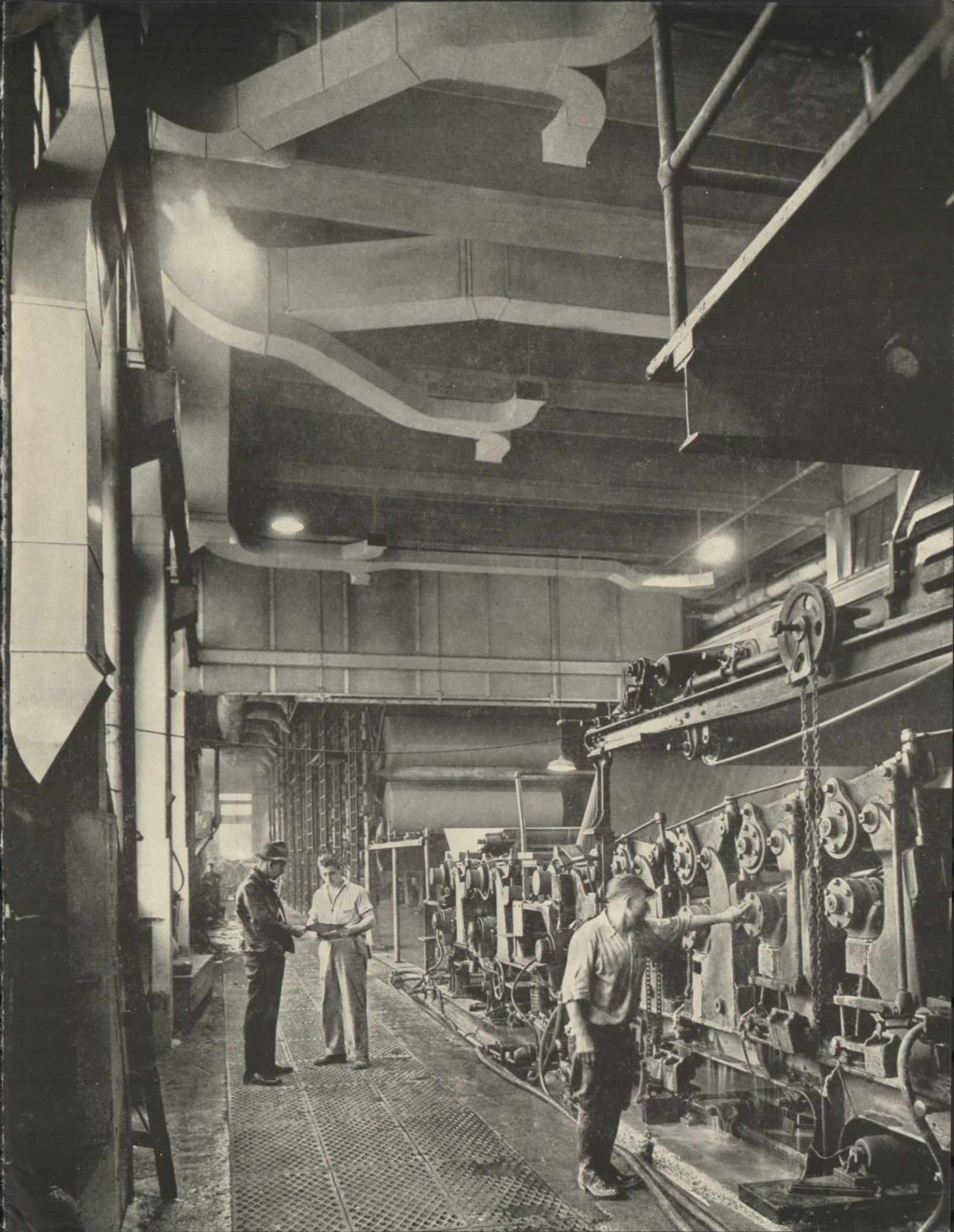
A comparative tabulation of operating results for the last three years is given below:

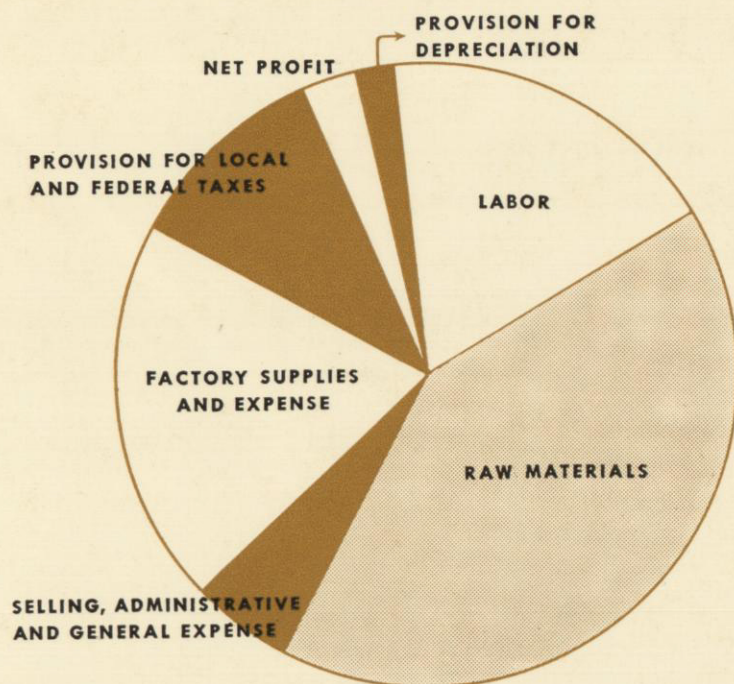
	1945	1944	1943
Net Sales.....	\$74,138,191	\$69,641,096	\$61,163,685
Cost of sales (exclusive of depreciation).....	59,589,990	53,830,458	46,206,565
Gross profit (exclusive of depreciation).....	\$14,548,201	\$15,810,638	\$14,957,120
Provision for depreciation (includes depletion of \$17,025 for 1945, \$25,770 for 1944 and \$38,965 for 1943).....	1,435,464	1,481,306	1,421,460
Gross profit from operations.....	\$13,112,737	\$14,329,332	\$13,535,660
Selling, administrative and general expenses.....	4,496,451	4,025,746	3,412,501
Profit from operations.....	\$ 8,616,286	\$10,303,586	\$10,123,159
Purchase discounts, interest earned, etc. (net).....	399,817	209,613	260,895
Profit before Federal income taxes.....	\$ 9,016,103	\$10,513,199	\$10,384,054
Provision for Federal income taxes and renegotiation of war contracts.....	6,690,000	7,850,000	7,700,000
Net profit for year.....	\$ 2,326,103	\$ 2,663,199	\$ 2,684,054
Provision for postwar contingencies.....	300,000	600,000	500,000
Balance carried to earned surplus.....	\$ 2,026,103	\$ 2,063,199	\$ 2,184,054

Depreciation was again provided at rates similar to those used in preceding years and totaled \$1,418,439. Depletion of the Company's own timber amounted to only \$17,025, or a fraction of additional growth for the year.

Profit on capital assets retired was \$85,133, which is included in the year's earnings account.

The high rate of operations, the impossibility of obtaining sufficient new machinery, which necessitated keeping older equipment running, and finally, the high cost of materials and labor all contributed to an increased dollar expenditure for repairs and maintenance.





Federal income and excess profits taxes were somewhat less than last year because of the lower profit, but still amounted to \$6,690,000 or \$8.56 per share of outstanding stock.

The diagram and tabulation on this page show the relative proportion of net sales accounted for by raw materials, factory supplies and expense, labor, selling, administrative and general expense, depreciation, taxes, and net profit.

Net earnings for the year were equivalent to 8.25% on the average invested capital during the year.

	1945		1944	
Net Sales.....	\$74,138,191	100.00%	\$69,641,096	100.00%
Raw materials.....	30,275,198	40.83%	27,864,622	40.01
Factory supplies and expense.....	15,146,643	20.43	13,209,652	18.97
Labor.....	13,289,243	17.92	12,090,692	17.36
*Selling, administrative and general expense.....	4,096,634	5.53	3,570,398	5.13
Provision for depreciation (includes depletion of \$17,025 for 1945 and \$25,770 for 1944).....	1,435,464	1.94	1,481,306	2.13
Provision for local and Federal taxes and renegotiation.....	7,568,906	10.21	8,761,227	12.58
**Net Profit.....	2,326,103	3.14	2,663,199	3.82

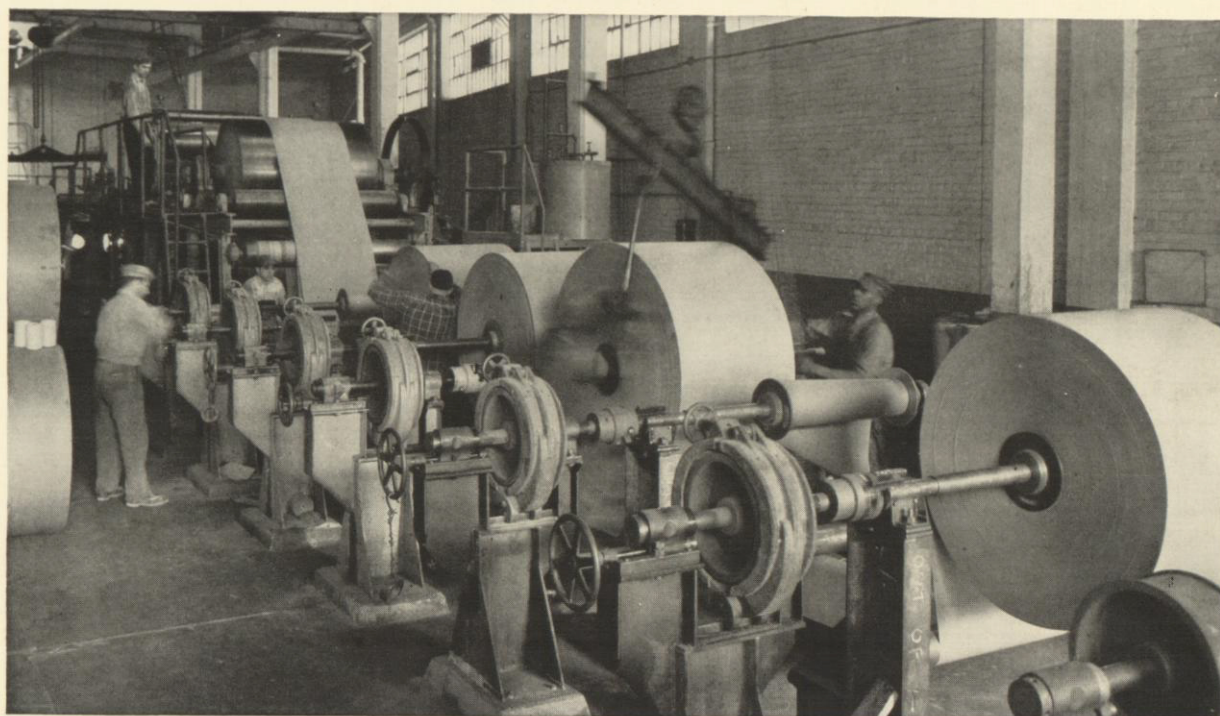
*Includes other income and charges.

**Before provision of \$300,000 in 1945 and \$600,000 in 1944, for reserve for postwar contingencies.

The lower profit margin, in spite of substantially higher sales, was a result of a gradual though inexorable creeping-up of costs against rigid and unmoving OPA ceilings in many divisions of the Company's business. This trend is continuing, if anything, at an accelerated pace.

WORKING CAPITAL. Changes in working capital between 1945 and 1944 are exhibited in the following table:

	December 31		Increase or Decrease (d)
	1945	1944	
CURRENT ASSETS:			
Cash in banks and on hand.....	\$ 3,991,492	\$ 2,364,987	\$ 1,626,505
U. S. Government Securities, including Post-War re- fund bonds in 1945.....	1,620,562	612,166	1,008,396
Accounts and notes receivable, less reserves.....	3,081,785	2,809,884	271,901
Inventories.....	4,529,376	3,737,137	792,239
Total current assets.....	<u>\$13,223,215</u>	<u>\$ 9,524,174</u>	<u>\$ 3,699,041</u>
CURRENT LIABILITIES:			
Accounts payable.....	\$2,309,871	\$ 1,462,096	\$ 847,775
Accrued salaries, wages and profit sharing provision...	954,902	762,613	192,289
Accrued taxes.....	530,769	556,107	25,338(d)
Provision for Federal income taxes and renegotiation of war contracts.....	*	*	—
Sundry accruals.....	349,959	108,187	241,772
Total current liabilities.....	<u>\$4,145,501</u>	<u>\$ 2,889,003</u>	<u>\$ 1,256,498</u>
Net working capital.....	<u>\$ 9,077,714</u>	<u>\$ 6,635,171</u>	<u>\$ 2,442,543</u>
Current ratio.....	3.19 to 1	3.30 to 1	
*Provision for Federal income taxes and renegotiation.....	\$ 8,080,442	\$ 9,896,997	—
Less: Treasury Notes—tax series.....	8,080,442	9,896,997	—



Laminating machine at Manayunk plant, Philadelphia

The net increase in working capital was \$2,442,543. The increase in inventories reflects largely higher unit values, although there were also some increases in quantity, primarily in the field of white pulps. An unusual and non-recurring benefit to working capital during the year grew out of the Postwar Refund Bonds becoming negotiable.

An application of funds statement for the year 1945 appears below:

Funds provided from the following sources:

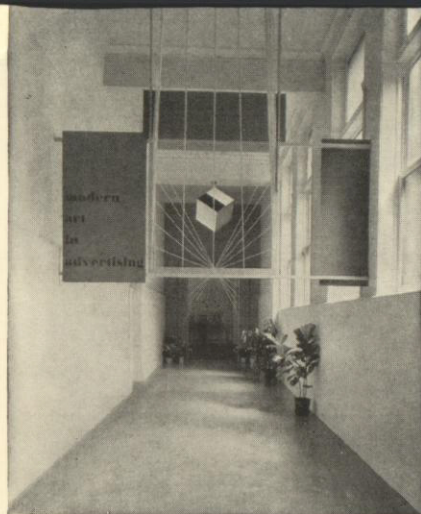
Profit for year.....		\$ 2,026,103	
Add expense items not requiring cash—			
Provision for depreciation.....	\$ 1,418,439		
Provision for depletion.....	17,025		
Provision for postwar contingencies.....	300,000		
	<u>\$ 1,735,464</u>		
Less profit on capital assets retired.....	85,133	\$ 1,650,331	\$ 3,676,434
Proceeds from sales of property.....			232,235
Decrease in postwar refund Federal excess profits tax..			1,720,834
Decrease in deferred charges.....			26,236
			<u>\$ 5,655,739</u>

Which were expended or accounted for as follows:

Dividends paid.....	\$ 1,171,879
Net increase in working capital.....	2,442,543
Increase in investments in and advances to subsidiaries.	304,847
Increase in other investments and advances.....	155,469
Additions to plant and equipment.....	1,581,001
	<u>\$ 5,655,739</u>

Capital expenditures of \$1,581,001 represented a large number of individual items, none of which were of a major nature. These expenditures, which were spread over most of the Company's plants, included such items as container and carton making machinery, improvements to employee facilities, rebuilding of some of the Company's strawboard machines, and about \$180,000 paid toward the purchase of paper mill equipment for the new kraft board mill at Fernandina, Florida. Also, the land, buildings, and machinery of the formerly leased plant of the Pioneer Paper Stock Company at Kalamazoo, Michigan were purchased. Finally, some additions were made to the automotive equipment of the parent Company, as well as the subsidiary.

A new and modern paperboard machine has been ordered for the Fernandina pulp plant. This machine is expected to have a capacity sufficient to convert into paperboard the present pulp production of this mill. The total expenditure will amount to approximately \$4,500,000. The completion date, barring unforeseen delays, is expected to be at the end of 1947. Because of the Company's large consumption of kraft paperboard, it will be necessary to continue purchasing substantial tonnages of kraft paperboard from other producers.



Above, entrance gallery. Right, exhibit at the Art Institute of Chicago.



Early in 1945 the Company was invited to exhibit its advertising illustrations in the galleries of the Art Institute of Chicago. The show opened April 27 and continued to July 16. Similar invitations from other museums kept the collection before the public in Dayton, Milwaukee, Cleveland and Cincinnati. A continuing schedule in representative cities East and West is being followed during 1946. Above, hall of the Dayton Art Institute. Left, entrance to the Milwaukee Art Institute.

CAPITALIZATION. No changes occurred in the number of shares of the Company's outstanding stock, which remains at 781,253. The total number of shareholders approximates 10,000. The largest single owner represents less than 5% of the outstanding shares. There have been some changes in stock ownership in that several investment trusts in recent years have become owners of the shares of your Company.

In August of 1945 your Company arranged for a 10-year bank term credit of \$6,000,000 with seven well known banks at an interest rate of $2\frac{1}{4}\%$ per annum. At the present time the Company has made no borrowing against this credit and is paying a small standby fee for its availability. If and when the Company avails itself of this entire credit, the semi-annual payments will amount to \$250,000, starting January 1, 1948 with a final payment of \$2,250,000, on July 1, 1955. In addition there is a sinking fund provision dependent upon earnings.

SURPLUS. The net profit for the year of \$2,026,103 was credited to earned surplus and dividend payments of \$1,171,879 were charged against it. The net addition to earned surplus was the difference between these two figures, or \$854,224. Year-end earned surplus amounted to \$8,687,407.

OPERATIONS

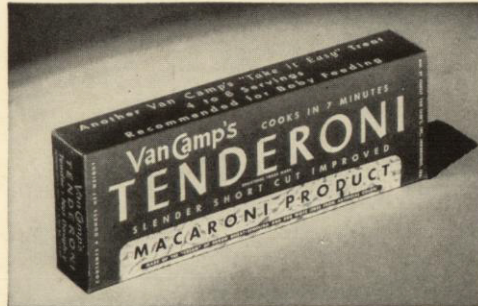
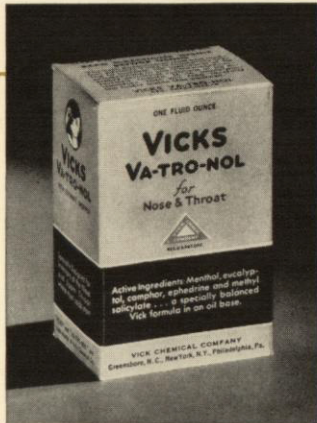
In the tabulation below are indicated the number of tons of paperboard and pulp produced in the paper and pulp mills of your Company, as well as the number of tons of finished product shipped by mills and box factories to customers:

	Tons Produced in Mills	Tons Finished Product Shipped
1934.....	300,424	312,830
1935.....	373,399	382,381
1936.....	428,627	441,086
1937.....	391,270	390,496
1938.....	346,616	361,820
1939.....	432,848	462,385
1940.....	461,815	504,507
1941.....	546,002	627,292
1942.....	508,423	575,856
1943.....	537,076	598,918
1944.....	523,946	585,018
1945.....	534,131	597,267

Not all of the paperboard tonnage fabricated and shipped by your Company's container and carton factories is produced in the Company's mills; a substantial tonnage is purchased from outside sources. This accounts for the larger number of tons of finished product shipped than tons produced in the paper mills.

FIVE-YEAR COMPARISONS 1941-1945

	1941	1942	1943	1944	1945
NUMBER OF EMPLOYEES (AT 12/31)	6,295	5,627	6,428	7,131	7,632
TONS SHIPPED	627,292	575,856	598,918	585,018	597,267
NET PROFIT	\$2,327,177	\$2,401,748	\$2,184,054	\$2,063,199	\$2,026,103
DIVIDENDS AND INTEREST PAID	\$1,263,113	\$1,208,910	\$1,171,879	\$1,171,879	\$1,171,879
TAXES	\$5,210,021	\$6,953,984	\$8,556,871	\$8,761,227	\$7,568,906
PER CENT OF PROFIT ON INVESTED CAPITAL	11.34%	11.06%	9.58%	8.71%	8.25%
INVESTED CAPITAL PER EMPLOYEE	\$ 3,261	\$ 3,860	\$ 3,545	\$ 3,321	\$ 3,274
INCREASE IN SURPLUS	\$1,155,298	\$1,229,869	\$903,983	\$891,321	\$854,224



Typical shipping containers and folding cartons (printed in two or more colors), made in different company plants for well-known and widely distributed products. Some of these designs were developed in the Company's art departments.

These illustrations provide some indication of the diversity of industry served by the Company's shipping container and folding carton divisions.



SALES AND SALES PROMOTION

Consolidated net sales for 1945 aggregated \$74,138,191, or an increase of 6.5% over sales of \$69,641,096 in 1944. The tons shipped increased 2.1%. There were no significant price increases, as most selling prices are frozen by OPA ceilings. A greater proportion of higher quality mill product was produced and more tons were shipped in a final fabricated form than in the previous year, which accounts for the greater increase in dollar sales than in unit volume.

With the ending of the war, Sales Research, Technical and Laboratory Research, and Art and Design Departments were able to increase their activities. These efforts will be further accelerated with the gradual return to peacetime conditions.

The Art Institute of Chicago invited the Company to exhibit its advertising art in the halls of its Prints and Drawings Galleries for about ten weeks in the late Spring. This exhibit was very successful and attracted an extremely large attendance. Since then a traveling exhibit of this art work was arranged with exhibitions taking place in art museums and galleries in Dayton and Cincinnati, Ohio, Milwaukee, Wisconsin, and Cranbrook, Michigan. Further exhibitions are scheduled for the galleries of the Massachusetts Institute of Technology, the Art Alliance at Philadelphia, and the Museum of Art, Rhode Island School of Design, Providence, Rhode Island.

AFFILIATED AND SUBSIDIARY COMPANIES

The Sefton Fibre Can Company of St. Louis, Missouri, which manufactures paper cans with tin or paper tops and bottoms, earned a profit of approximately \$65,000 during the year. These earnings are not consolidated with those of the parent Company. The Can Company paid a \$5 dividend on its outstanding preferred stock. With the ending of the war the work for the Ordnance Department, conducted on a management fee basis at a plant in Memphis, Tennessee, was discontinued. However, the operations at St. Louis, Missouri and New Orleans, Louisiana are going ahead to the fullest extent permitted by the availability of raw materials and labor.

The Pioneer Paper Stock Company, a wholly owned subsidiary, had a difficult year because of the well known shortages of waste paper. The demand for paper stock remains just as great as during the war period. Waste paper is selling at full ceiling prices, and quality is unsatisfactory. Waste paper collection drives throughout the country are continuing. Obviously, until more new paper of all different types and kinds is produced, it will remain difficult to obtain increased quantities of used material. At the present time the situation is as critical as it has been at any time in the recent past, and no betterment can be looked for unless either demand falls off or supply increases.

FOREIGN INVESTMENTS. Cartoenvases de Mexico, S.A., in which your Company has a 50% stock interest through Carton Internacional, S.A., began its operations in the Fall of the year. This plant is located in Mexico City and it is turning out a gratifyingly good quality of product considering the newness of the operation and the fact that the

employees are somewhat inexperienced. The local management is performing well, sales are expanding and the immediate future appears encouraging. Our investment in this project as of the end of the year was a moderate one.

Carton de Colombia, S.A., in which your Company owns a 50% stock interest also through Carton Internacional, S.A., is located near Cali, Colombia. Its plant is in the process of construction and when completed will consist of a paper mill, fibre and corrugated container factory, and a folding box shop with complementary equipment. It is hoped that construction will be completed toward the end of 1946. The capital of Carton de Colombia, S.A. was increased to \$1,500,000 during the year. Prospective customers are anxious to place orders and receive deliveries. Our South American partners have been most cooperative, helpful and interested in the development. The management of this new enterprise is making every effort to complete construction of buildings and installation of machinery at the earliest possible moment.

WAR WORK

Up to V-E Day war work had increased to its highest peak. There was some lessening of war demand after V-E Day and a substantial decrease in requirements after V-J Day. However, there still remains a rather large demand for shipping containers of all sorts for the packaging of food and supplies to our men and women remaining in the armed forces, both at home and abroad, and also for the sustenance of foreign populations.

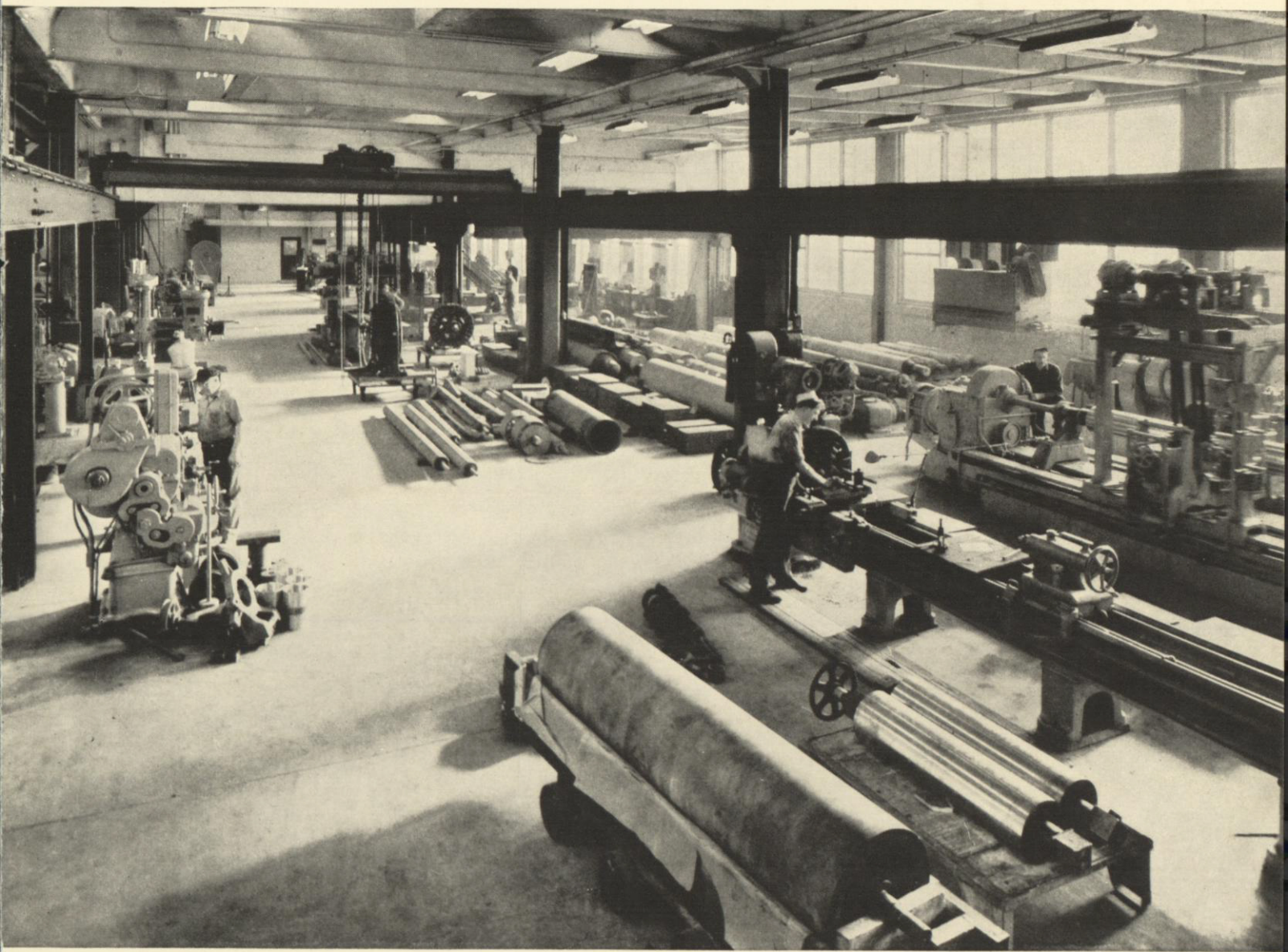
The net refund under renegotiation settlement for 1944 amounted to \$269,260. Renegotiation for 1945 has not as yet been completed but will be in due course, and it is believed by the management that a sufficient reserve has been provided for such refund as may be necessary.

The Company had no significant reconversion problems.

PAPERBOARD AND CONTAINER INDUSTRY CONDITIONS

Throughout these industries the "squeeze" between rising costs and fixed price ceilings is continuing and in fact becoming more severe. Demand promises to continue to be very brisk because even such new production units as are being built will require considerable time until completed. Meanwhile, there are quite a few older or marginal mills, which are ordinarily standby units, operating today and many of these will no doubt be shut down when new and lower cost installations have been completed. During the almost five years of war very little new production of paperboard has come on the market.

The bulk of war business has, of course, disappeared but it was more than offset by the return of peacetime requirements of all sorts of packages; in addition such new products as are being developed will also demand packaging of some kind, so that barring a now unforeseen sudden falling-off in demand, volume ought to continue at high levels. However, profit margins are becoming narrower and on many items relief from existing price levels would be fully justified. If costs continue to rise, such relief will become even more imperative.



Machine shop in a recently reconditioned building at the Manayunk plant, Philadelphia

EMPLOYEE RELATIONS

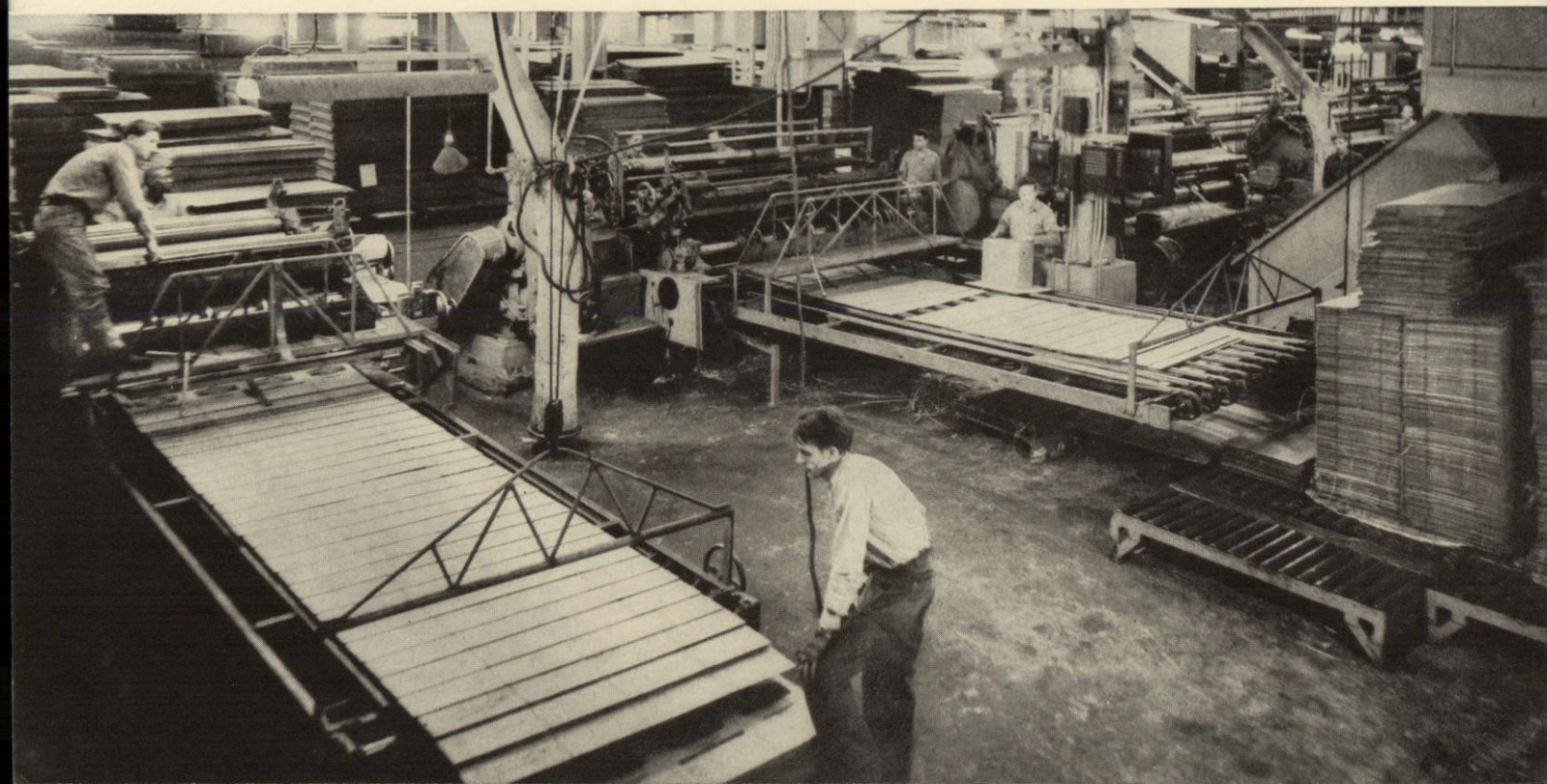
The number of employees in the mills, factories, and offices of the Company totaled 7,632 as of the end of the year. It is our sad duty to record that out of the approximate 2,000 men and women who had joined the armed services 40 were listed as lost or missing. Their names appear in the memorial tribute in the front part of this report. All of us who were their former associates extend our deepest sympathy to their respective families. We recognize the great debt of gratitude we all owe them for their fine, unselfish, and patriotic, but tragic sacrifice.

Many of the former employees of the Company who have been in the service are now returning, and a substantial number have already resumed their former work. Those who are still in the service again received a money order at Christmas time as a Holiday remembrance.

Many further improvements were made throughout the various plants of the Company to provide better working conditions, such as locker, restroom, cafeteria, and recreation facilities.

During the war and up to now your Company has suffered no loss of time through strikes.

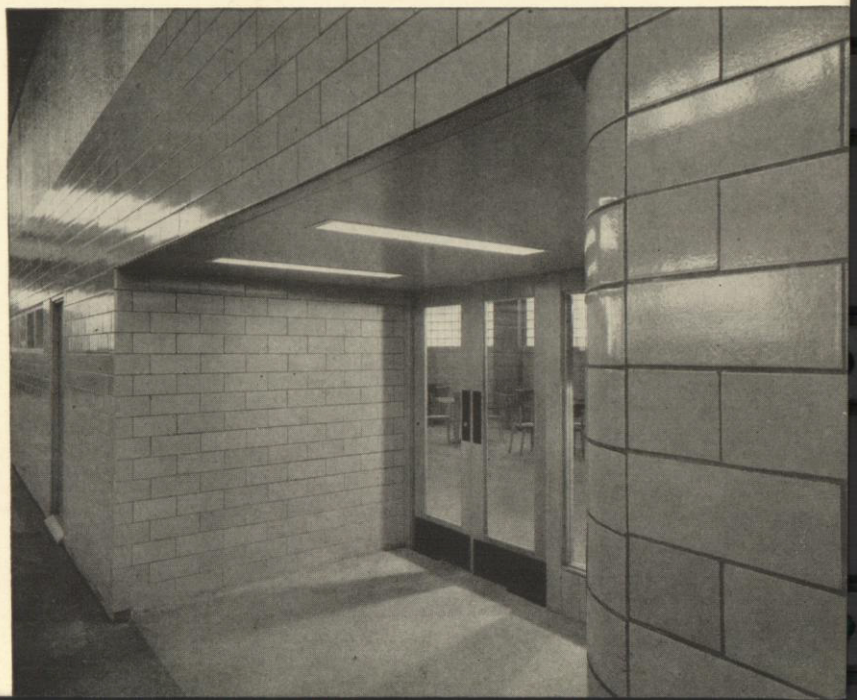
RETIREMENT ANNUITY PLAN. During 1945 the employees as a group and your Company each provided \$267,795 toward the retirement annuity plan; contributions by and on account of executive officers aggregated 4.4%, while 95.6% was contributed by and on account of all other employees. The Company's payment on account of past service annuities was made in 1945 in the amount of \$112,845; in accordance with the provisions of this plan, annuities become payable only upon retirement. The Equitable Life Assurance Society purchased during the year annuities for the benefit of employees who will first approach the retirement age.





Above, recently completed cafeteria at the Carthage, Indiana, mill. Right, the entrance.

Left, delivery mechanism and roller conveyor system installed in the Fibre and Corrugated plant, Manayunk, Philadelphia.





Artist—Juan Renad, native of Barranquillo, Colombia

COLOMBIA: strange fruit in a familiar package.

SAVE WASTE PAPER



CONTAINER CORPORATION OF AMERICA

MANAGEMENT PROFIT SHARING PLAN. Under this plan, approved by the shareholders at their annual meeting in 1940, a total amount of \$1,176,310 would have been payable; however, non-participating directors entrusted with the final determination of the profit sharing fund concluded that under present conditions the amount to be distributed should be limited to \$273,750 compared with \$257,950 last year. Allocations were authorized as follows: 20.1% to the President, 40.2% to the five Vice-Presidents, 39.7% to fifty-seven other employees, including the Secretary-Treasurer and Controller.

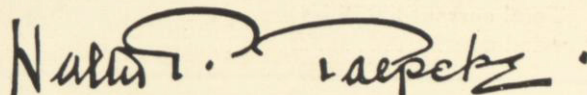
ORGANIZATION

In the fore part of the year Mr. H. C. Baumgartner, Treasurer and Comptroller, resigned to move to the West Coast. The Secretary of the Company, Mr. E. A. Wagonseller, was elected Treasurer. Mr. Carl M. Blumenschein, formerly Assistant Comptroller, was elected Controller. Mr. James A. Cunningham joined the organization as Vice-President in charge of Administration and Finance. Mr. J. J. Brossard, a director and Vice-President in charge of the Washington office, at the end of the war with the closing of the Washington office, announced his desire to retire from active management of the Company and resigned these offices. Mr. Ira C. Keller, Vice-President in charge of the Eastern Division, was elected a director to fill the vacancy on the Board. Mr. E. A. Throckmorton, Director of Sales Research, was elected a Vice-President in charge of the same Department.

The Board of Directors wishes to express its appreciation and recognition of the able, conscientious, and loyal efforts of every member of the organization during the year just ended.

Submitted on behalf of the Board of Directors.

Respectfully,

A handwritten signature in dark ink, appearing to read "Nathan Leopold", with a stylized flourish at the end.

President

One of a series of advertisements published in Time, Fortune, Business Week, and other magazines (in color) to emphasize the importance of paper packages in world-wide shipping. Each advertisement is devoted to one of the United Nations, and is made by a native artist of that country.

CONTAINER CORPORATION OF AMERICA AND CONSOLIDATED YEAR-END BALANCE SHEETS FOR TWELVE YEAR

ASSETS

	1945	1944	1943	1942	1941
Cash in banks and on hand	\$ 3,991,492	\$ 2,364,987	\$ 1,649,835	\$ 1,216,063	\$ 1,249,665
U. S. Government Securities	1,620,562	612,166	297,061	285,870	—
Accounts and notes receivable—less reserves	3,081,785	2,809,884	2,913,481	2,380,611	3,108,880
Inventories	4,529,376	3,737,137	3,481,416	3,199,667	4,340,712
Total current assets	\$13,223,215	\$ 9,524,174	\$ 8,341,793	\$ 7,082,211	\$ 8,699,257
Postwar excess profits tax refund	—	1,720,834	1,010,834	361,000	—
Other receivables and investments	1,324,789	864,472	76,143	135,134	367,664
Treasury stock at cost	—	—	—	—	—
Land	3,549,668	3,551,231	3,569,681	3,583,906	3,599,118
Buildings, machinery and equipment	29,122,070	27,867,623	26,972,366	26,361,566	25,864,025
Reserve for depreciation	17,173,036	15,918,586	14,573,515	13,269,224	11,952,714
Deferred charges	482,755	508,991	446,918	283,175	227,151
Good will and patents	I	I	I	I	I
	<u>\$30,529,462</u>	<u>\$28,118,740</u>	<u>\$25,844,221</u>	<u>\$24,537,769</u>	<u>\$26,804,502</u>

LIABILITIES

Accounts payable	\$ 2,309,871	\$ 1,462,096	\$ 849,217	\$ 1,154,353	\$ 1,321,396
Accrued salaries, wages, taxes, interest, etc.	1,835,630	1,426,907	1,256,587	1,048,981	1,118,470
Reserve for Federal income taxes and re- negotiation of war contracts	—*	—*	—*	—*	360,070*
Sinking fund payments due within a year..	—	—	—	—	—
Total current liabilities	\$ 4,145,501	\$ 2,889,003	\$ 2,105,804	\$ 2,203,334	\$ 2,799,936
Funded debt	—	—	—	—	2,900,000
Provision for prior years Federal income taxes in dispute	—	—	—	—	—
Reserve for contingencies	—	—	—	—	—
Reserve for Postwar Contingencies	1,400,000	1,100,000	500,000	—	—
Capital stock	15,625,060	15,625,060	15,625,060	15,625,060	15,625,060
7% Preferred stock	—	—	—	—	—
Class A common stock	—	—	—	—	—
Class B common stock	—	—	—	—	—
Paid-in Surplus	671,494	671,494	671,494	671,494	671,494
Earned surplus	8,687,407	7,833,183	6,941,863	6,037,881	4,808,012
	<u>\$30,529,462</u>	<u>\$28,118,740</u>	<u>\$25,844,221</u>	<u>\$24,537,769</u>	<u>\$26,804,502</u>
Working capital	\$ 9,077,714	\$ 6,635,171	\$ 6,235,989	\$ 4,878,877	\$ 5,899,321
Current ratio	3.19 to 1	3.30 to 1	3.96 to 1	3.21 to 1	3.11 to 1
Book value per share	\$ 31.98	\$ 30.89	\$ 29.74	\$ 28.59	\$ 27.01
<i>Note—Italics denote red figures.</i>					
*Provision for Federal income taxes and renegotiation	\$ 8,080,442	\$ 9,896,997	\$ 9,218,820	\$ 6,878,426	\$ 4,564,790
Less Treasury notes—tax series	8,080,442	9,896,997	9,218,820	6,878,426	4,204,720
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>\$ 360,070</u>

SUBSIDIARY COMPANIES

PERIOD ENDED DECEMBER 31, 1945

1940	1939	1938	1937	1936	1935	1934
\$ 2,456,532	\$ 1,044,918	\$ 1,031,969	\$ 1,650,344	\$ 1,147,362	\$ 1,131,576	\$ 820,912
1,969,006	1,903,452	1,474,683	1,133,116	1,625,631	1,155,580	1,146,099
3,410,931	3,644,189	2,859,950	3,143,426	2,900,739	2,896,060	2,489,422
\$ 7,836,469	\$ 6,592,559	\$ 5,366,602	\$ 5,926,886	\$ 5,673,732	\$ 5,183,216	\$ 4,456,433
802,253	1,561,736	1,487,517	1,848,555	149,754	90,563	136,840
3,485,447	3,463,005	3,450,285	3,192,264	3,237,069	3,237,069	3,219,640
25,096,655	24,051,950	23,452,635	22,720,891	21,872,009	21,143,364	20,172,812
10,992,835	9,897,678	8,922,908	7,763,149	7,758,397	6,760,214	5,789,049
187,062	338,039	387,994	385,583	438,647	433,644	487,155
I	I	I	I	I	I	I
<u>\$26,415,052</u>	<u>\$26,109,612</u>	<u>\$25,222,126</u>	<u>\$26,311,031</u>	<u>\$23,632,815</u>	<u>\$23,327,643</u>	<u>\$22,777,582</u>

\$ 345,977	\$ 820,005	\$ 446,525	\$ 363,451	\$ 1,305,003	\$ 758,558	\$ 988,356
832,830	516,978	392,440	434,276	415,636	329,066	304,602
1,186,977	296,000	34,200	528,000	255,000	217,500	195,000
—	250,000	128,000	115,000	154,000	250,000	201,500
\$ 2,365,784	\$ 1,882,983	\$ 1,001,165	\$ 1,440,727	\$ 2,129,639	\$ 1,555,124	\$ 1,689,458
4,100,000	5,126,000	5,945,500	6,472,000	6,980,500	7,736,360	7,783,500
—	—	500,000	—	—	—	—
—	—	—	449,114	434,114	417,614	81,622
—	—	—	—	—	—	—
15,625,060	15,625,060	15,625,060	15,625,060	13,070,800	13,070,800	—
—	—	—	—	—	—	1,206,600
—	—	—	—	—	—	7,471,100
—	—	—	—	—	—	2,890,945
671,494	671,494	671,494	383,139	—	—	1,922,499
3,652,714	2,804,075	1,478,907	1,940,991	1,017,762	547,745	268,142
<u>\$26,415,052</u>	<u>\$26,109,612</u>	<u>\$25,222,126</u>	<u>\$26,311,031</u>	<u>\$23,632,815</u>	<u>\$23,327,643</u>	<u>\$22,777,582</u>
\$ 5,470,685	\$ 4,709,576	\$ 4,365,437	\$ 4,486,159	\$ 3,544,093	\$ 3,628,092	\$ 2,766,975
3.31 to 1	3.50 to 1	5.36 to 1	4.11 to 1	2.66 to 1	3.33 to 1	2.64 to 1
\$ 25.53	\$ 24.45	\$ 22.75	\$ 22.97	\$ 21.56	\$ 20.84	†

†Various classes of outstanding stock were reclassified into present capital stock in 1935.

CONTAINER CORPORATION OF AMERICA AND CONSOLIDATED PROFIT AND LOSS STATEMENTS FOR TWELVE

	1945	1944	1943	1942	1941
Net sales	\$74,138,191	\$69,641,096	\$61,163,685	\$49,533,239	\$46,714,221
Cost of sales (exclusive of depreciation)	59,589,990	53,830,458	46,206,565	36,668,926	35,548,267
Gross profit (exclusive of depreciation). . . .	\$14,548,201	\$15,810,638	\$14,957,120	\$12,864,313	\$11,165,954
Provision for depreciation	1,435,464	1,481,306	1,421,460	1,411,499	1,307,975
Gross profit from operations	\$13,112,737	\$14,329,332	\$13,535,660	\$11,452,814	\$ 9,857,979
Selling, administrative and general expenses (exclusive of bad debts)	4,496,451	4,025,746	3,412,501	3,016,086	2,953,587
Profit from operations (exclusive of bad debts)	\$ 8,616,286	\$10,303,586	\$10,123,159	\$ 8,436,728	\$ 6,904,392
Other income and <i>charges</i> —net	399,817	209,613	260,895	181,652	69,679
Profit before interest and Federal in- come taxes	\$ 9,016,103	\$10,513,199	\$10,384,054	\$ 8,618,380	\$ 6,834,713
Interest charges, etc	—	—	—	36,632	92,536
Profit before Federal income taxes	\$ 9,016,103	\$10,513,199	\$10,384,054	\$ 8,581,748	\$ 6,742,177
Provision for Federal income taxes and rene- gotiation of war contracts	6,690,000	7,850,000	7,700,000	6,180,000	4,415,000
Net profit for year	\$ 2,326,103	\$ 2,663,199	\$ 2,684,054	\$ 2,401,748	\$ 2,327,177
Provision for postwar contingencies	300,000	600,000	500,000	—	—
Balance carried to earned surplus	\$ 2,026,103	\$ 2,063,199	\$ 2,184,054	\$ 2,401,748	\$ 2,327,177
Earnings per share	\$ 2.59	\$ 2.64	\$ 2.80	\$ 3.07	\$ 2.98

Note—Italics denote red figures.

RECORD OF DIVIDENDS AND INTEREST ON FUNDED DEBT PAID FOR TWELVE YEAR PERIOD JANUARY 1, 1934

Dividends paid:					
Preferred stocks	—	—	—	—	—
Common stocks	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879
Total dividends	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879
*Interest paid on funded debt	—	—	\$ —	\$ 37,031	\$ 91,234
Total dividends and interest	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879	\$ 1,208,910	\$ 1,263,113

*On basis of cash payments made. This differs slightly from accrual basis used on profit and loss statement.

SUBSIDIARY COMPANIES

YEAR PERIOD ENDED DECEMBER 31, 1945

1940	1939	1938	1937	1936	1935	1934	Total
\$30,464,677	\$24,114,815	\$18,705,290	\$25,268,327	\$22,525,268	\$20,181,777	\$18,316,508	\$460,767,094
23,339,894	19,172,531	15,295,294	19,201,297	17,466,001	15,356,939	14,136,407	355,812,569
\$ 7,124,783	\$ 4,942,284	\$ 3,409,996	\$ 6,067,030	\$ 5,059,267	\$ 4,824,838	\$ 4,180,101	\$104,954,525
1,241,246	1,180,417	1,261,111	1,216,800	1,172,734	1,152,590	984,162	15,266,764
\$ 5,883,537	\$ 3,761,867	\$ 2,148,885	\$ 4,850,230	\$ 3,886,533	\$ 3,672,248	\$ 3,195,939	\$ 89,687,761
2,361,345	1,690,557	1,748,504	2,027,711	1,791,599	1,575,614	1,375,624	30,475,325
\$ 3,522,192	\$ 2,071,310	\$ 400,381	\$ 2,822,519	\$ 2,094,934	\$ 2,096,634	\$ 1,820,315	\$ 59,212,436
113,030	36,237	75,930	71,770	89,054	143,609	21,278	881,784
\$ 3,635,222	\$ 2,107,547	\$ 476,311	\$ 2,750,749	\$ 2,005,880	\$ 1,953,025	\$ 1,799,037	\$ 60,094,220
220,540	365,604	412,641	438,644	463,938	497,516	491,326	3,019,377
\$ 3,414,682	\$ 1,741,943	\$ 63,670	\$ 2,312,105	\$ 1,541,942	\$ 1,455,509	\$ 1,307,711	\$ 57,074,843
1,187,000	293,043	34,200	528,000	255,000	217,500	195,000	35,544,743
\$ 2,227,682	\$ 1,448,900	\$ 29,470	\$ 1,784,105	\$ 1,286,942	\$ 1,238,009	\$ 1,112,711	\$ 21,530,100
—	—	—	—	—	—	—	1,400,000
\$ 2,227,682	\$ 1,448,900	\$ 29,470	\$ 1,784,105	\$ 1,286,942	\$ 1,238,009	\$ 1,112,711	\$ 20,130,100
\$ 2.85	\$ 1.85	\$.04	\$ 2.28	\$ 1.97	\$ 1.89	Various classes of outstanding stock were reclassified into present capital stock in 1935.	

TO DECEMBER 31, 1945

\$ 1,171,879	\$ 195,313	\$ 234,376	\$ 860,876	\$ 816,925	\$ 422,310	—	\$ 422,310
\$ 1,171,879	\$ 195,313	\$ 234,376	\$ 860,876	\$ 816,925	\$ 422,310	—	\$ 9,138,764
\$ 207,677	\$ 310,900	\$ 346,005	\$ 374,340	\$ 422,459	\$ 438,871	\$ 438,170	\$ 2,666,687
\$ 1,379,556	\$ 506,213	\$ 580,381	\$ 1,235,216	\$ 1,239,384	\$ 861,181	\$ 438,170	\$ 12,227,761

RAW MATERIALS

PROCESSING

MILLS



PULP WOOD FROM THE FORESTS

WASTE PAPER FROM THE CITIES



FERNANDINA



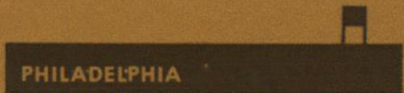
CHICAGO



DETROIT

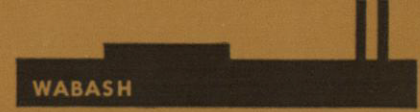


KALAMAZOO



PHILADELPHIA

PULP AND PAPER STOCK



WABASH



WILMINGTON



CARTHAGE



CIRCLEVILLE



STRAW FROM THE FARMS

SOURCES AND FLOW OF PRIMARY MATERIALS THROUGH MILLS

FACTORIES

PRODUCTS

USES

ANDERSON

BALTIMORE

BOSTON

CHICAGO—35TH ST.

CHICAGO—OGDEN

CINCINNATI

CLEVELAND

FT. WORTH

NEW ORLEANS

PHILADELPHIA—MANAYUNK

PHILADELPHIA—6TH STREET

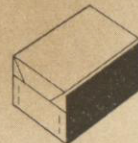
ROCK ISLAND

ST. LOUIS

OTHER CONVERTERS



CORRUGATED
CONTAINERS



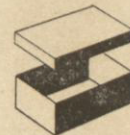
SOLID FIBRE
CONTAINERS



FOLDING CARTONS



FOOD PAILS



SET-UP BOXES



FIBRE CANS

Automotive Parts

Bakery Goods

Beer

Boots and Shoes

Building Materials

Canned Foods

Caps and Closures

Cereal Products

Chemicals

China & Pottery

Clothing

Coffee, Tea, Cocoa

Confectionery

Cosmetics

Dairy Products

Dehydrated Foods

Explosives

Electrical Products

Frozen Foods

Fruits and Vegetables

Furniture

Glass Products

Hardware and Tools

Household Goods

Ice Cream

Linens and Towels

Liquor and Wine

Machines and Parts

Matches

Meat Products

Paint and Varnish

Paper Products

Personal Accessories

Petroleum Products

Pharmaceuticals

Publishers, Printers

Radio Products

Refrigerators

Rubber Goods

Soaps and Cleansers

Soft Drinks

Spices

Sporting Goods

Sugar and Salt

Textiles

Tobacco Products

Toys and Games

Vegetable Products

PAPERBOARD



AND FACTORIES OF CONTAINER CORPORATION OF AMERICA

CONTAINER CORPORATION OF AMERICA

COMPARATIVE CONSOLIDATED BALANCE SHEETS—

ASSETS

	1945	1944		
CURRENT ASSETS:				
Cash in banks and on hand.....	\$ 3,991,492	\$ 2,364,987		
U. S. Government securities, including postwar refund bonds in 1945, at cost, plus accrued interest.....	1,620,562	612,166		
Accounts receivable, less reserve of \$150,400 in 1945 and \$150,534 in 1944.....	3,081,785	2,809,884		
Inventories of finished goods, work in progress, raw materials and supplies—priced at the lower of average cost or market.....	4,529,376	3,737,137		
Total current assets.....	<u>\$13,223,215</u>	<u>\$ 9,524,174</u>		
OTHER INVESTMENTS AND ADVANCES, AT COST:				
Postwar refund of Federal excess profits tax.....	\$ —	\$ 1,720,834		
Investments in and advances to subsidiaries not consolidated—				
Foreign.....	800,000	500,000		
Domestic.....	281,559	276,711		
Other investments and advances.....	243,230	87,761		
Total other investments and advances.....	<u>\$ 1,324,789</u>	<u>\$ 2,585,306</u>		
PLANT AND EQUIPMENT—stated at amounts (based in part on appraisals) recorded at dates of acquisition of properties (including properties acquired for capital stock), plus subsequent additions at cost (see Note):				
	Gross	Less Reserves		
Land.....	\$ 3,549,668	\$ —	\$ 3,549,668	\$ 3,551,231
Buildings.....	7,713,800	3,100,930	4,612,870	4,648,362
Machinery, equipment, etc.....	16,661,852	10,536,651	6,125,201	5,873,821
Leasehold and leasehold improvements.....	4,746,418	3,535,455	1,210,963	1,426,854
	<u>\$32,671,738</u>	<u>\$17,173,036</u>	<u>\$15,498,702</u>	<u>\$15,500,268</u>
PREPAID AND DEFERRED CHARGES.....	\$ 482,755		\$ 508,991	
GOODWILL AND PATENTS.....	\$ 1		\$ 1	
	<u>\$30,529,462</u>		<u>\$28,118,740</u>	

NOTE: The company contemplates additions and betterments to its properties estimated to cost approximately \$6,200,000. Up to December 31, 1945 purchase commitments for capital additions aggregated approximately \$1,700,000. The company entered into a loan agreement on August 1, 1945 with certain banks, which provides, in part, for the borrowing by the company at any time prior to August 1, 1947 of a maximum of \$6,000,000. Amounts borrowed under this agreement will be evidenced by 2¼% promissory notes payable in installments commencing January 1, 1948 and maturing July 1, 1955. The loan agreement also provides that a maximum of \$7,000,000 of consolidated earned surplus will not be available for the payment of cash dividends on common stock. The company is not obligated to make any borrowings under the agreement and no amounts had been borrowed at December 31, 1945.

AND SUBSIDIARY COMPANIES

DECEMBER 31, 1945 AND DECEMBER 31, 1944

LIABILITIES

	1945	1944
CURRENT LIABILITIES:		
Accounts payable.....	\$ 2,309,871	\$ 1,462,096
Accrued liabilities—		
Salaries, wages and profit sharing provision.....	954,902	762,613
Taxes, other than Federal taxes on income.....	530,769	556,107
Other.....	349,959	108,187
Provision for Federal taxes on income and for renegotiation of war contracts of \$8,080,442 in 1945 and \$9,896,997 in 1944, less an equivalent amount of United States Treasury Notes, tax series, to be applied in payment thereof.....	—	—
Total current liabilities.....	\$ 4,145,501	\$ 2,889,003
RESERVE FOR POSTWAR CONTINGENCIES.....	\$ 1,400,000	\$ 1,100,000
CAPITAL STOCK AND SURPLUS:		
Capital stock \$20 par value—		
Authorized 1,000,000 shares, outstanding 781,253 shares.....	\$15,625,060	\$15,625,060
Paid-in surplus (no changes during the year).....	671,494	671,494
Earned surplus (see accompanying summary).....	8,687,407	7,833,183
Total capital stock and surplus.....	\$24,983,961	\$24,129,737
	<u>\$30,529,462</u>	<u>\$28,118,740</u>

CONTAINER CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

SUMMARIES OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEARS ENDED DECEMBER 31, 1945 AND DECEMBER 31, 1944

PROFIT AND LOSS

	1945	1944
NET SALES.....	\$74,138,191	\$69,641,096
COST OF SALES (including depreciation and depletion provisions of \$1,435,464 in 1945 and \$1,481,306 in 1944).....	61,025,454	55,311,764
Gross profit from operations.....	\$13,112,737	\$14,329,332
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES.....	4,496,451	4,025,746
Profit from operations.....	\$ 8,616,286	\$10,303,586
PURCHASE DISCOUNTS, INTEREST EARNED, ETC. (net).....	399,817	209,613
Balance before income taxes and renegotiation.....	\$ 9,016,103	\$10,513,199
PROVISION FOR FEDERAL TAXES ON INCOME AND FOR RENEGOTIATION OF WAR CONTRACTS.....	6,690,000	7,850,000
Net profit for the year.....	\$ 2,326,103	\$ 2,663,199
PROVISION FOR POSTWAR CONTINGENCIES.....	300,000	600,000
Balance carried to earned surplus.....	<u>\$ 2,026,103</u>	<u>\$ 2,063,199</u>

EARNED SURPLUS

BALANCE AT BEGINNING OF YEAR.....	\$ 7,833,183	\$ 6,941,863
ADD—Balance of profit for year, as above.....	2,026,103	2,063,199
	\$ 9,859,286	\$ 9,005,062
DEDUCT—Cash dividends paid (\$1.50 per share).....	1,171,879	1,171,879
BALANCE AT END OF YEAR.....	<u>\$ 8,687,407</u>	<u>\$ 7,833,183</u>

NOTE: The company has filed claims for relief from a portion of its excess profits tax for the years 1940 to 1943, inclusive, under Section 722 of the Internal Revenue Code. The effect of such claims has not been reflected in the accompanying financial statements.

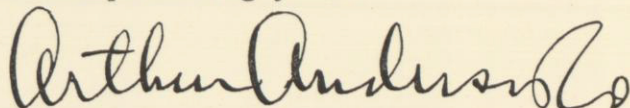
ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Stockholders of
Container Corporation of America:

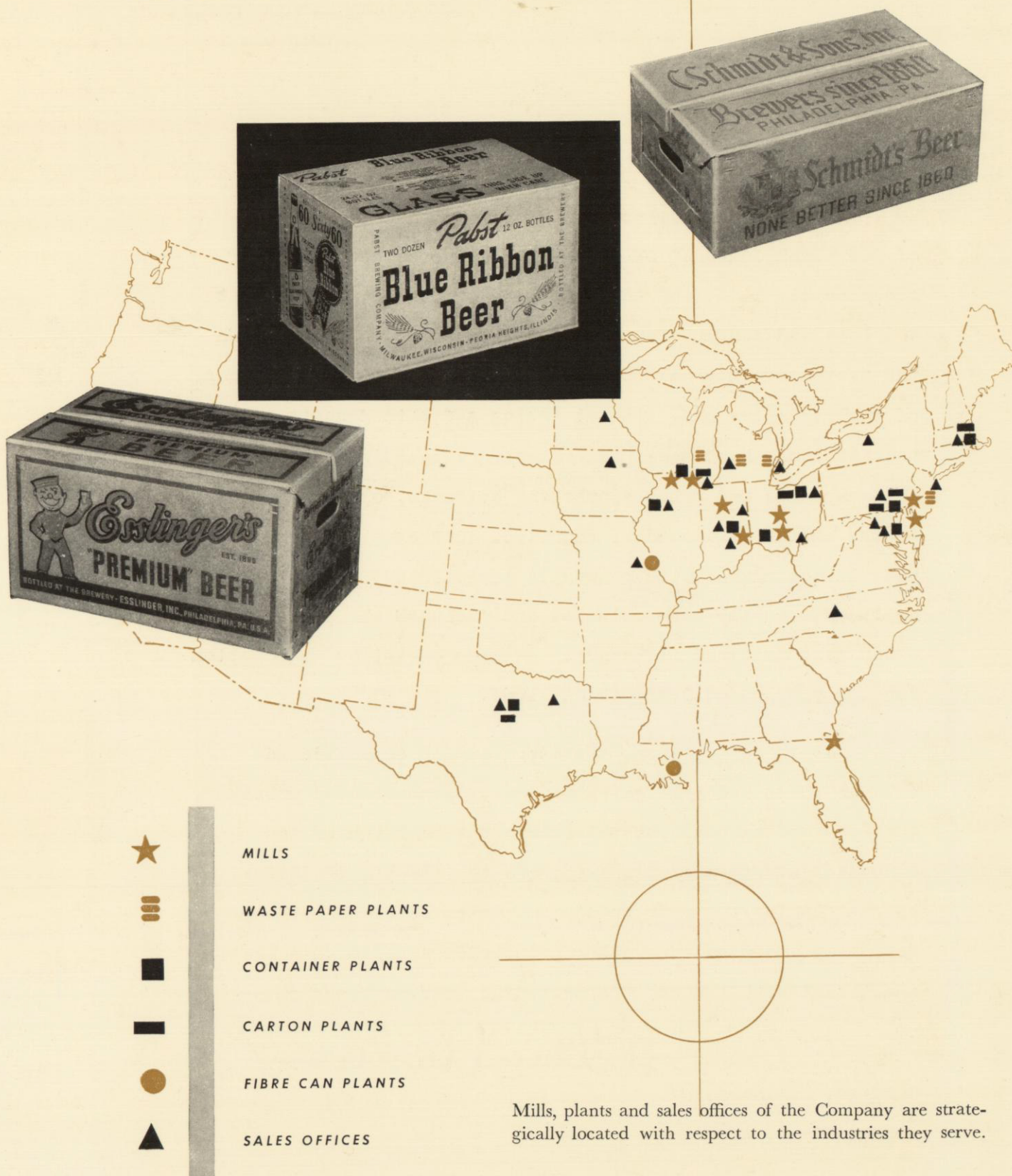
We have examined the consolidated balance sheet of CONTAINER CORPORATION OF AMERICA and subsidiaries as of December 31, 1945, and the summaries of consolidated profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We made a similar examination for the year ended December 31, 1944.

In our opinion, the accompanying consolidated balance sheet and related summaries of consolidated profit and loss and surplus present fairly the position of the companies at December 31, 1945, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Arthur Andersen & Co.", positioned above the typed name and date.

Chicago, Illinois,
February 5, 1946.

Solid fibre and corrugated beer containers are now back in production, since the Army and Navy requirements for shipping containers have been substantially reduced.



Mills, plants and sales offices of the Company are strategically located with respect to the industries they serve.

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